

FOR IMMEDIATE RELEASE

TSE SYMBOL: KFS

KINGSWAY REPORTS RECORD QUARTERLY EARNINGS

Toronto, Ontario (August 3, 1999) – Kingsway Financial Services Inc. today announced its financial results for the second quarter and six months ended June 30, 1999.

Q2 1999 Highlights

- Record quarterly earnings per share (fully diluted and basic) of 27 cents, an increase of 50% over Q2 1998
- Net income increased 51% over Q2 1998 to a record \$9.7 million
- Underwriting profit increased by 300% over Q2 1998 to \$6.0 million
- Return on equity increased to 15.1%, compared to 11.5% for the same quarter last year
- Combined ratio for the Kingsway group improved to 94.6%, compared to 98.1% reported for the same quarter last year
- Gross premiums written were a record \$138.9 million, an increase of 12% over Q2 1998
- Net premiums written increased 35% over Q2 1998 to \$131.9 million.

Strong Earnings Performance

Net income for the second quarter increased 51% to a record \$9,695,000, compared with \$6,432,000 last year. Net income for the six-month period increased 17% to \$16,192,000, compared with \$13,888,000 last year.

Earnings per share (fully diluted and basic) increased 50% to 27 cents, compared with 18 cents reported last year. Earnings per share (fully diluted and basic) for the six-month period increased 15% to 45 cents, compared with 39 cents per share in the same period last year.

Operating earnings per share for the second quarter (net income before taxes, realized gains, goodwill amortization and interest expense) were 43 cents, an increase of 79% over the 24 cents reported for the second quarter of 1998. For the six-month period, operating earnings per share increased 39% to 75 cents.

“This second quarter was particularly strong, and the successful execution of our business plan has positioned us well to continue this positive trend,” said Bill Star, President and Chief Executive Officer. “The 300% increase in underwriting profit resulted in record levels for earnings and other key performance measures for the quarter and year to date, and we achieved our targeted 15% return on equity for the quarter.”

more...

Mr. Star pointed in particular to the growth in non-standard automobile premiums in Canada following the departure of a major competitor late in the quarter. He also noted the strong performance of the Company's motorcycle business in Ontario, its major market. Kingsway will earn a substantial portion of these motorcycle premiums in the third quarter.

"Looking ahead, our focus on specialty insurance markets where we have substantial expertise, our policy of disciplined pricing concentrated on profitability rather than volume, and our geographic diversification, all contribute to growth potential and earnings stability," Mr. Star said. "While we remain acquisition oriented, our primary focus this year is on improving profitability and realizing synergies throughout our operations to provide a solid foundation for sustainable growth."

Solid Premium Growth

During the second quarter, gross premiums written increased 12% over last year to a record \$138,895,000. Written premiums for the Company's Canadian operations were \$68,857,000, and written premiums for the Company's U.S. operations grew 35% to \$70,038,000, reflecting the inclusion of the results of Walshire and Hamilton. Kingsway has diversified and expanded its premium base through five successful acquisitions in the U.S. in 1998 and the early part of 1999.

Gross premiums written for the six-month period rose 20% from the first half of 1998 to \$263,443,00. Year-to-date written premiums for the Canadian operations were \$112,980,000, compared with \$115,047,000 for the first six months of 1998. This reflects the challenging underwriting environment for non-standard automobile insurance in several of the Company's key Canadian markets during the first half of 1999. However, the non-standard automobile market improved considerably with the withdrawal of a major competitor late in the second quarter. Written premiums for the Company's U.S. operations for the first six months of 1999 grew 44% to \$150,463,000.

Net premiums written for the second quarter increased 35% to a record \$131,875,000 (\$241,750,000 year to date). The Company's retention of profitable business increased significantly to 95% of gross premiums written in the second quarter (92% year to date), compared to 79% for the second quarter of last year (75% year to date).

Net premiums earned for the quarter increased 36% to a record \$110,998,000 (\$215,417,000 year to date), compared to \$81,499,000 for the second quarter last year (\$143,439,000 for the six-month period).

Underwriting Profit & Combined Ratio

Kingsway's combined ratio improved to 94.6% (96.4% year to date) for the second quarter, compared with 98.1% for the same period last year (96.6% year to date). The combined ratio for the Company's Canadian operations was 90.3% (94.2% year to date); for the Company's U.S. operations, the combined ratio for the quarter was 98.4% (98.1% year to date). Underwriting profit increased by 300% over the second quarter of 1998 to \$6,021,000. For the six-month period, underwriting profit increased by 63% over the same period last year to \$7,817,000.

more...

Both *Canadian Insurance* and *Canadian Underwriter* publications recently recognized the exceptional underwriting performance of Kingsway's Canadian subsidiaries. All three of the Company's Canadian operating subsidiaries ranked among the top 10 producers of underwriting profit in Canada in 1998 in both magazines. The combined underwriting profit for Kingsway's Canadian subsidiaries in 1998 was \$20.75 million, which positioned the Company in first place in the *Canadian Underwriter* listing.

Investments, Investment Income and Realized Gains

Kingsway reported a substantial increase in investment income for the second quarter. Investment income increased 35% to \$9,806,000 (\$19,533,000 year to date) compared with \$7,263,000 for the second quarter of 1998 (\$14,742,000 for the six-month period). For the second quarter, realized gains amounted to \$2,583,000 (\$2,689,000 year to date) compared with \$2,755,000 for the second quarter of 1998 (\$5,728,000 for the six-month period).

The Company's investment portfolio grew to \$675 million at the end of the second quarter (market value \$660 million), compared to \$455 million at the same point last year. At June 30, 1999, the investment portfolio represented \$19.34 per common share, an increase of 48% over the \$13.05 per share reported in the previous year. At the end of the quarter, the investment portfolio comprised accrued interest and term deposits of \$85 million (market value \$85 million); government bonds of \$307 million (market value \$299 million); corporate bonds of \$145 million (market value \$142 million); equities of \$82 million (market value \$78 million); and premium finance receivables of \$56 million.

Strong Balance Sheet

Total assets at June 30, 1999 grew 33% to \$1.07 billion, compared to \$805 million at June 30, 1998. Unearned premiums at June 30, 1999 grew to \$205,060,000, an increase of 15% over the \$178,031,000 reported at the end of the second quarter of 1998. Book value per share increased 14% over the second quarter of 1998 to \$7.27.

Normal Course Issuer Bid

During the first six months of 1999, the Company bought back 285,400 shares at an average price of \$9.47 under the normal course issuer bid approved last September. Since this program began, the Company has purchased 425,700 shares at an average price of \$9.30. The Company continues to believe that its common shares have been trading in a price range that does not adequately reflect their value in relation to the Company's business and its future business prospects.

Corporate Governance

Kingsway's Board of Directors recently approved amendments to the Company's policy regarding confidentiality of material information and restrictions on trading the Company's securities. Under this policy, insiders are prohibited from trading the Company's securities during the period commencing after the end of each fiscal quarter until 2 business days after the financial results for the quarter have been released.

more...

Year 2000

The Company is on schedule with its Year 2000 ("Y2K") program. Where a potential problem was identified, the Company determined a course of action for repairing, redesigning or replacing the system. Most of these solutions have been implemented, and the Company expects to have all the system changes tested and implemented prior to December 31, 1999.

The Company and its subsidiaries have received verbal or written assurances from most suppliers that they are, or will be, Y2K compliant, and the Company and its subsidiaries are following up with those who have not replied.

The Company believes that it has taken all necessary and feasible measures to minimize the possibility of a Year 2000 disruption. However, there can be no assurance that the systems of other companies the Company interacts with, or on which the Company's systems rely, will be converted before the Year 2000, or that any such failure on the part of another company will not have an adverse impact on the Company's operations.

With respect to its insured policyholders and liability exposure, the insurance subsidiaries have excluded Year 2000 coverage where applicable.

About the Company

Kingsway's primary business is the insuring of automobile risks for drivers who do not meet the criteria for coverage by standard automobile insurers. The Company currently operates through nine wholly owned subsidiaries in Canada and the United States. Canadian subsidiaries include Kingsway General Insurance Company, York Fire & Casualty Insurance Company and Jevco Insurance Company. U.S. subsidiaries include Universal Casualty Company, American Service Insurance Company, Southern United Fire Insurance Company, Walshire Assurance Company, Hamilton Investments, Inc. and Avalon Risk Management, Inc. Kingsway General and York Fire are both rated "A" Excellent by A.M. Best. The common shares of Kingsway Financial Services Inc. are listed on the Toronto Stock Exchange, under the trading symbol "KFS".

- 30 -

For further information, please contact:

Shaun Jackson

Executive Vice President and Chief Financial Officer

Tel: (905) 629-7888

Fax: (905) 629-5008

Web Site: www.kingsway-financial.com

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENT OF INCOME
For the six months ended June 30, 1999 and 1998
(\$ in Thousands, except for per share amounts)

	Quarter to June 30:		6 months to June 30:	
	1999	1998	1999	1998
	(unaudited)		(unaudited)	
Gross premiums written	\$138,895	\$123,801	\$263,443	\$219,702
Net premiums written	\$131,875	\$97,673	\$241,750	\$163,715
Net premiums earned	\$110,998	\$81,499	\$215,417	\$143,439
Investment income	9,806	7,263	19,533	14,742
Net realized gains	2,583	2,755	2,689	5,728
	123,387	91,517	237,639	163,909
Claims incurred	68,943	53,827	135,915	92,562
Commissions & premium taxes	21,736	15,098	42,913	24,610
General & other expenses	14,298	11,064	28,772	21,459
Goodwill amortization	1,242	999	2,388	1,534
Interest expense	2,924	292	4,767	398
	109,143	81,280	214,755	140,563
Income before income taxes	14,244	10,237	22,884	23,346
Income taxes	4,549	3,805	6,692	9,458
Net income	\$9,695	\$6,432	\$16,192	\$13,888
Earnings per share:				
basic:	\$0.27	\$0.18	\$0.45	\$0.39
fully diluted:	\$0.27	\$0.18	\$0.45	\$0.39
Claims ratio	62.1%	66.0%	63.1%	64.5%
Expense ratio	32.5%	32.1%	33.3%	32.1%
Combined ratio	94.6%	98.1%	96.4%	96.6%
Underwriting profit	\$6,021	\$1,510	\$7,817	\$4,808
Return on equity (annualized)	15.1%	11.5%	12.7%	12.5%
Book value per share			\$7.27	\$6.40

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED BALANCE SHEET
As at June 30, 1999 and 1998
(\$ in Thousands)

	1999	1998
	(unaudited)	
ASSETS		
Cash	\$ 15,354	\$ 13,810
Investments and financed premiums receivable	675,419	454,843
Accounts receivable and other assets	81,373	62,018
Amounts due from reinsurers and other insurers	137,333	157,358
Deferred policy acquisition costs	42,779	38,675
Future income taxes	18,514	18,214
Capital assets	27,932	16,064
Goodwill	70,898	43,505
	<u>\$1,069,602</u>	<u>\$804,487</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Bank loans	\$148,089	\$ 29,951
Accounts payable & accrued liabilities	26,234	12,874
Unearned premiums	205,060	178,031
Unpaid claims	428,073	350,589
Other	2,361	3,237
	<u>809,817</u>	<u>574,682</u>
SHAREHOLDERS' EQUITY		
Share capital	162,139	165,428
Currency translation adjustment	2,342	2,388
Retained earnings	95,304	61,989
	<u>259,785</u>	<u>229,805</u>
	<u>\$1,069,602</u>	<u>\$804,487</u>

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the six months ended June 30, 1999 and 1998
(\$ in Thousands)

	1999	1998
	(unaudited)	
Operating activities:		
Net income	\$16,192	\$13,888
Items not involving cash:		
Amortization	3,717	2,446
Future income taxes	(4,047)	1,990
Net realized gain on sale of investments	(2,689)	(5,728)
Amortization of bond premiums & discounts	195	223
	13,368	12,819
Net change in non-cash balances:	2,109	17,944
	15,477	30,763
Financing activities:		
Issuance (cancellation) of share capital, net	(2,370)	280
Share warrant	-	(753)
Increase in bank indebtedness	40,045	14,037
	37,675	13,564
Investing activities:		
Purchase of investments	(699,134)	(587,493)
Proceeds from sales of investments	679,539	624,667
Financed premiums receivable, net	1,292	3,881
Purchase of subsidiary, net of cash acquired	(24,832)	(75,790)
Additions to capital assets	(1,842)	(1,562)
	(44,977)	(40,178)
Increase (decrease) in cash during period	8,175	8,030
Cash, beginning of period	7,179	5,780
Cash, end of period	\$15,354	\$13,810

KINGSWAY FINANCIAL SERVICES INC.
SUMMARY OF KEY DATA

(\$'000's)	1996	1997	1998				1999		
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
Gross premiums written	\$140,610	\$210,795	\$95,901	\$123,801	\$100,760	\$88,738	\$409,200	\$124,548	\$138,895
Net premiums written	134,121	186,813	66,041	97,673	81,234	75,448	320,396	109,875	131,875
Net premiums earned	107,679	174,462	61,940	81,499	92,545	78,667	314,651	104,420	110,998
Investment income	11,049	21,836	10,452	10,018	9,346	7,783	37,599	9,833	12,389
Total revenues	118,728	196,298	72,392	91,517	101,891	86,450	352,250	114,253	123,387
Income before income taxes	15,756	28,340	13,109	10,237	15,222	12,871	51,439	8,640	14,244
Net income	11,162	22,151	7,456	6,432	9,328	7,795	31,011	6,497	9,695
Underwriting profit	4,707	7,319	3,298	1,510	7,187	7,080	19,075	1,796	6,021
Total assets	248,233	511,229	724,671	804,487	821,349	1,012,776	1,012,776	1,065,914	1,069,602
Unearned premiums	64,064	89,885	153,183	178,031	163,618	188,810	188,810	194,738	205,060
Shareholders' equity	86,634	213,248	219,504	229,805	243,495	250,065	250,065	254,380	259,785
Claims ratio	64.9%	65.3%	62.5%	66.0%	61.5%	56.4%	61.6%	64.1%	62.1%
Expense ratio	30.7%	30.5%	32.1%	32.1%	30.7%	34.6%	32.3%	34.2%	32.5%
General expense ratio	10.7%	10.6%	16.8%	13.6%	11.4%	10.0%	12.7%	13.9%	12.9%
Combined ratio	95.6%	95.8%	94.6%	98.1%	92.2%	91.0%	93.9%	98.3%	94.6%
Return on equity	21.4%	16.5%	13.8%	11.5%	15.8%	12.6%	13.4%	10.3%	15.1%
Earnings per share									
Basic	\$0.52	\$0.75	\$0.21	\$0.18	\$0.26	\$0.21	\$0.86	\$0.18	\$0.27
Fully Diluted	\$0.49	\$0.72	\$0.21	\$0.18	\$0.26	\$0.21	\$0.86	\$0.18	\$0.27
Average shares O/S ('000)									
Basic	21,448	29,956	35,847	35,882	35,954	35,932	35,904	35,976	35,879
Fully Diluted	22,586	30,495	36,348	36,461	36,526	36,504	36,443	36,596	36,727
Book Value per share	\$3.26	\$5.95	\$6.12	\$6.40	\$6.75	\$6.96	\$6.96	\$7.08	\$7.27